



PUBLIC DISCLOSURE

May 13, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Pleasants County Bank

Saint Marys, West Virginia

**Federal Reserve Bank of Richmond
Richmond, Virginia**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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8631

215 Washington Street

Saint Marys, West Virginia 26170

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to bank capacity and demand for credit within the local assessment area.
- A majority of the institution's residential real estate and consumer motor vehicle loans considered in the evaluation were originated within the bank's assessment area.
- Borrower distribution performance (lending to low and moderate- income borrowers) is considered reasonable.
- Geographic distribution performance (lending in census tracts having different income levels) was not evaluated because the bank's only assessment area is comprised entirely of middle-income geographies.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous CRA evaluation.

SCOPE OF EXAMINATION

Pleasants County Bank (PCB) was evaluated using the interagency examination procedures for small banks developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures and based upon recent loans originated by the institution, residential real estate and consumer motor vehicle loans were identified as primary credit products for the bank. PCB is not a Home Mortgage Disclosure Act (HMDA) reporter; however, residential real estate lending remains one of the bank's primary loan products. The analysis was based on the entire universe of 67 residential real estate loans totaling \$7.9 million from 2017 and 2018, and the entire universe of 134 consumer motor vehicle loans totaling \$2.1 million from 2018.

DESCRIPTION OF INSTITUTION

PCB is headquartered in Saint Marys, West Virginia, and operates two full-service branch offices in the northwestern portion of West Virginia. The bank is a wholly-owned subsidiary of Pleasants County Bankshares, a single bank holding company also located in Saint Marys, West Virginia. This evaluation reflects only the performance of PCB and does not consider or include the activities of any other related entities. The institution's previous CRA rating, dated November 3, 2014, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area, and no branches have been opened or closed since the prior evaluation.

As of March 31, 2019, the bank held total assets of \$67 million, of which, 53.4% were net loans. As of the same time period, deposits totaled \$59.3 million. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) as of March 31, 2019, is represented in the following table:

Composition of Loan Portfolio

Loan Type	3/31/2019	
	\$(000s)	%
Secured by 1-4 Family dwellings	16,249	44.9
Multifamily	0	0.0
Construction and Development	1,047	2.9
Commercial & Industrial/ NonFarm NonResidential	13,160	36.3
Consumer Loans and Credit Cards	4,539	12.5
Agricultural Loans/ Farmland	979	2.7
All Other	237	0.7
Total	36,211	100.0

As indicated in the preceding table, the bank's existing loan portfolio is concentrated in loans secured by residential real estate and commercial and industrial loans. Although commercial and industrial loans comprise the second largest portion of the loan portfolio by dollar volume, the actual number of commercial and industrial loans is relatively small in comparison to the number of recently originated consumer loans. Accordingly, consumer loans, more specifically motor vehicle loans, were considered in the evaluation in addition to loans secured by residential real estate.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PLEASANTS COUNTY, WV NON-MSA ASSESSMENT AREA

This assessment area includes all of Pleasants County, West Virginia. The bank operates two branch offices within the county, and as of June 30, 2018, the bank ranked first out of two institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 50.8% of the deposits within the assessment area (credit union deposits are not included). Based on 2015 American Community Survey (ACS) data, the assessment area served by the bank has a population of 7,636 and a median housing value of \$100,745. The owner-occupancy rate for the assessment area equals 71.2%, which is greater than the owner-occupancy rate in nonmetropolitan areas of West Virginia (60.3%) and the overall statewide rate (60.8%). The percentage of families living below the poverty level in the assessment area (13.4%) is lower than the percentage of families in the nonmetropolitan areas of West Virginia (14.7%), but is slightly higher than the overall state poverty level (13.1%). The 2017 and 2018 HUD estimated median family incomes for nonmetropolitan areas of West Virginia equaled \$49,300 and \$52,200, respectively. The following tables provide pertinent demographic data for the assessment area based on 2015 ACS data.

Assessment Area Demographics

Pleasants County, WV NonMSA (Based on 2015 ACS Data and 2018 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	361	17.3
Moderate	0	0.0	0	0.0	0	0.0	351	16.8
Middle	2	100.0	2,090	100.0	281	13.4	421	20.1
Upper	0	0.0	0	0.0	0	0.0	957	45.8
NA	0	0.0	0	0.0	0	0.0		
Total	2	100.0	2,090	100.0	281	13.4	2,090	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	514	17.8
Moderate	0	0.0	0	0.0	0	0.0	402	13.9
Middle	2,407	100.0	2,893	100.0	430	14.9	578	20.0
Upper	0	0.0	0	0.0	0	0.0	1,399	48.3
NA	0	0.0	0	0.0	0	0.0		
Total	2,407	100.0	2,893	100.0	430	14.9	2,893	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	207	100.0	180	100.0	22	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	207	100.0	180	100.0	22	100.0	5	100.0
Percentage of Total Businesses:			87.0		10.6		2.4	

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC in 2018, both of the Pleasants County middle-income census tracts were considered distressed because of comparatively high unemployment rates during 2018. These tracts were also designated as underserved. Underserved census tracts are typically located in rural communities that may lack certain community services/infrastructure and are also distant from more urban population centers.

The local economy is based on government services and a variety of manufacturing, service, and construction industries. Major employers include Pleasants County Board of Education, Saint Marys Correctional Center, FirstEnergy Corp, Summit Environmental Services, LLC, Simonton Industries, Inc., and Mentor Management, Inc. As indicated in the following table, area unemployment rates have declined during the recent four-year period; however, area unemployment rates remain elevated in the assessment area in relation to the statewide rate.

Geographic Area	June 2015	June 2016	June 2017	June 2018
Pleasants County	8.9%	9%	7.4%	6.7%
West Virginia	7.2%	6.3%	5.2%	5.4%

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that local economic conditions are positive because of an influx of new jobs, as oil companies have started to drill in the county and a gas pipeline is being built. The contact suggested that the local market area would benefit from additional affordable housing units and greater access to home financing, specifically opportunities other than traditional conventional loans. The contact also indicated that the housing market in Pleasants County is healthy, as homes tend to sell quickly with low turnover. The contact also noted specific work and opportunities provided by PCB that supported local economic development. According to the contact, local financial institutions are reasonably meeting the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

To evaluate the bank's performance, residential mortgage and consumer motor vehicle lending was analyzed. Area demographic data from the 2015 ACS and HMDA aggregate data are used as proxies for demand when evaluating the bank's performance.

When evaluating the borrower distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then weighed by the dollar volume of such loans in the assessment area. PCB originated \$1.9 million and \$1.6 million in residential real estate loans in the assessment area in 2017 and 2018, respectively. Additionally, the bank originated approximately \$1.3 million in consumer motor vehicle loans within the assessment area during 2018. Given the slightly larger dollar volume of residential real estate within the assessment area in 2018, loan performance for this product is given slightly greater weight when considering the bank's combined product performance.

Overall, the bank's rating is Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment area, and borrower distribution performance. The geographic distribution of lending was not evaluated, as all census tracts within the bank's assessment area are designated as middle-income tracts. Each of these components is discussed in the following sections.

Loan-To-Deposit Ratio

The bank's loan-to-deposit as of March 31, 2019 equaled 60.4% and averaged 57.2% for the 18-quarter period ending March 31, 2019. A peer bank operating in a similar area to PCB had a quarterly average loan-to-deposit ratio that ranged from 36.3% to 49.4% with an average of 42.6% during the same period. Since September 30, 2014, the bank's assets, net loans, and deposits have increased minimally by 1.4%, 4.1%, and .7%, respectively. The bank's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, and local credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's recently originated residential real estate and consumer motor vehicle loans was considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Mortgage Loans	41	61.2	3,588	45.4	26	38.8	4,322	54.6
Consumer Loans	90	67.2	1,290	62.0	44	32.8	789	38.0
TOTAL LOANS	131	65.2	4,878	48.8	70	34.8	5,111	51.2

A majority of the total number of loans (65.2%) was extended within the assessment area; however, less than a majority (48.8%) of the total dollar amount was originated in the assessment area. This percentage is primarily driven by the dollar volume of mortgage loans (45.4%). While the majority of the dollar volume of residential real estate loans was extended outside the assessment area, as previously discussed, two calendar years of residential real estate loans but only one year of consumer motor vehicle loans were analyzed and considered in the evaluation. After accounting for this difference, a majority of PCB's total dollar volume of lending occurred within its assessment area. Overall, the institution's level of lending within the assessment area is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

PCB's residential real estate and consumer motor vehicle borrower distribution performances are both considered reasonable.

Distribution of Mortgage Loans by Income Level of Borrower

Pleasants County, WV NonMSA (2017)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Mortgage Loan Totals								
Low	1	4.8	35	2.0	7	9.1	342	3.5
Moderate	3	14.3	120	6.8	11	14.3	833	8.6
Middle	2	9.5	135	7.7	16	20.8	1,526	15.7
Upper	15	71.4	1,470	83.5	43	55.8	6,995	72.2
Total	21	100.0	1,760	100.0	77	100.0	9,696	100.0
Unknown	1		180		6		657	

Percentages (%) are calculated on all loans where incomes are known

During 2017, the bank's residential real estate lending to low-income borrowers (4.8%) lagged both the percentage of area low-income families (17.3%) and the aggregate level of lending (9.1%) to such borrowers. The bank's lending to moderate-income borrowers (14.3%) is consistent with aggregate lending (14.3%), but slightly lower than the percentage of area moderate-income borrowers (16.8%) in the assessment area. While the bank's low-income borrower performance was poor, its overall 2017 performance is considered reasonable, and its performance during 2018 is similar.

Distribution of Consumer Loans by Income Level of Borrower

Pleasants County, WV NonMSA (2018)				
Income Categories	Consumer Loans			
	#	%	\$ (000s)	% \$
Low	9	10.0	73	5.7
Moderate	18	20.0	233	18.1
Middle	27	30.0	340	26.4
Upper	36	40.0	643	49.9
Total	90	100.0	1,289	100.1
Unknown	0		0	

Percentage's (%) are calculated on all loans where incomes are known

PCB's level of consumer motor vehicle lending to low-income borrowers (10%) lagged the percentage of low-income households (17.8%) in the assessment area: however, bank lending to moderate-income borrowers (20%) exceeded the percentage of moderate-income households (13.9%) in the assessment area. Overall, the bank's consumer lending performance is considered reasonable.

Geographic Distribution of Loans

As mentioned previously, the bank's assessment area contains only middle-income geographies, therefore an assessment of the bank's geographic distribution performance was not performed.

ASSESSMENT AREA DELINEATION

A review of the bank's assessment area found that its delineation complied with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines, included whole political subdivisions, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - (A) Rates of poverty, unemployment, and population loss; or
 - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.